

## MSHDA POLICIES & PROCEDURES

# SINGLE FAMILY - 100% LTV RESCUE REFINANCE CONVENTIONAL LOAN PROGRAM

Effective Date: 09-10-08

Replaces Issue of: 5-29-08

Product Name: Rescue

### SUMMARY:

This is a 30-year fixed rate insured conventional loan available to low-to-moderate income borrowers who meet the MSHDA loan and income limit eligibility guidelines. Purpose or use of this new Refinance transaction is to assist individuals who have had a delinquency on their mortgage. The mortgage amount may include closing costs, prepaid expenses and second liens that were non-purchase as long as they have 6 months seasoning with no draws in the most recent 6 months. MGIC will be manually underwriting these loans for approval.

### PRODUCTS:

MSHDA Conventional Refinance 100%  
(Step, Buydown, and Down Payment Assistance Options are not available)

### LOAN PURPOSE:

Limited cash out refinance of single family, owner-occupied primary residence ONLY.

### INCOME LIMITS:

Income limits apply and are available online at, [www.michigan.gov](http://www.michigan.gov)

### LOAN LIMITS:

\$224,500 / maximum Appraised Value limit \$224,500

### OCCUPANCY REQUIREMENTS:

The borrower must occupy the property as his/her primary residence.

### ELIGIBLE PROPERTIES

Single-family residential, site condominiums and PUD's. No manufactured housing or attached condominiums allowed.

### REFINANCE PARAMETERS

A limited cash-out refinance transaction enables a borrower to pay off his or her existing mortgage by obtaining a new first mortgage that is secured by the same property.

A limited cash out refinance transaction may consist of the following components:

- unpaid principal balance and interest of an existing first mortgage;
- closing costs (including prepaid expenses)
- purchase second liens and non-purchase second liens seasoned for a minimum of 6 months with no draws in the most recent 6 months.
- no cash back to the borrower at closing greater than \$100.
- prepayment penalties.
- delinquent taxes.

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| <b>ASSUMABILITY:</b>                                       | The mortgage may be formally assumed by a subsequent purchaser; however, certain restrictions will apply with respect to income, credit and sales price limits.  |
| <b>LOAN TERM:</b>  | 30-year term   |
| <b>MINIMUM<br/>LOAN AMOUNT:</b>                            | There is no minimum loan amount  |
| <b>MAXIMUM<br/>LOAN AMOUNT:</b>                            | \$224,500.   |
| <b>MAXIMUM<br/>LOAN TO VALUE:</b>                          | 100% LTV / 100% CLTV   |
| <b>HOMEBUYER<br/>EDUCATION:</b>                            | Required by LINKS counseling agencies for all borrowers.   |
| <b>STEP RATE<br/>OPTION:</b>                               | Not available with this loan program   |
| <b>TEMPORARY<br/>INTEREST RATE<br/>BUYDOWN<br/>OPTION:</b> | Not available with this loan program   |
| <b>QUALIFYING<br/>RATIOS:</b>                              | Maximum 45% DTI (Max 50% if no payment shock)  |
| <b>UNDERWRITING:</b>                                       | <ol style="list-style-type: none"> <li>1. Maximum FICO score of 619 and Minimum FICO Score of 575</li> <li>2. Borrower cannot be more than 3x30 on housing payment in last 12 months and must be current at the time of application.</li> <li>3. Include all outstanding debt with more than 10 months remaining.</li> <li>4. Deferred Student Loans must be included in the DTI ratio.</li> <li>5. All collections, judgments, civil liens and charge-offs must be paid-in-full. Verification that collections are paid should accompany a statement from the borrower stating the reasons for derogatory information. Loan proceeds cannot be used for this purpose.</li> <li>6. Previous bankruptcy: <ul style="list-style-type: none"> <li>Chapter 7 - Generally, the borrower should be discharged from a Chapter 7 Bankruptcy for at least 24 months prior to loan application date and have satisfactory re-established credit.</li> <li>• Chapter 13 – A Chapter 13 Bankruptcy may be considered for loan approval with less than 24 months from discharge providing documentation is submitted to evaluate the applicant's overall</li> </ul> </li> </ol> |

financial strength and providing the applicant has a re-established credit history with a minimum FICO Score of 620.

7. Foreclosure or Deed in Lieu of Foreclosure:

A borrower whose principal residence or other real property was foreclosed or gave a deed-in-lieu of foreclosure within the previous three (3) years is generally not eligible for a new MSHDA mortgage. However, if the foreclosure or deed-in-lieu of foreclosure was the result of documented extenuating circumstances that were beyond the control of the borrower and the borrower has re-established good credit since the foreclosure, MSHDA may grant an exception to the three-year requirement. Further information is available in Section 11.7 of the Single Family Operating Manual.

8. Borrowers are not permitted to have an ownership interest in other Real-estate property at time of closing.

**MORTGAGE  
INSURANCE:**

1. Acceptable Insurers: Currently MGIC has agreed to insure this program. MSHDA will order MI certificate once underwriting has been completed.

2. Required Coverage: The amount, terms, and extent of insurance coverage must be in accordance with the particular bond issue as directed by MSHDA. Coverage for this program will be provided under the "A-Minus" expanded criteria premiums.

Below are the required insurance coverage requirements for private mortgage insurance.

| <u>Initial LTV</u> | <u>Coverage Required</u> |
|--------------------|--------------------------|
| 97.01 – 100%       | 35%                      |
| 95.01 – 97%        | 28%                      |
| 90.01 – 95%        | 25%                      |
| 80.01 – 90%        | 20%                      |
| 80% - below        | 0%                       |

3. Financed Mortgage Insurance: The loan amount cannot include any portion of a financed mortgage insurance premium.

**ALLOWABLE  
FEES:**

The lender may collect an Origination Fee of up to 1% of the loan amount. Refer to MSHDA's allowable closing cost chart for any restrictions.

**RECAPTURE  
TAX  
REIMBURSEMENT  
PROGRAM:**

MSHDA recognized that this may be a concern for individuals, so the **Recapture Tax Reimbursement Program** was created. In the event a borrower is required to pay a recapture tax, MSHDA will reimburse borrowers for any recapture tax paid by the borrower to the IRS. To request reimbursement, homeowners simply provide MSHDA with an IRS form 8828 and a signed copy of their IRS 1040 form.

## **LOAN DOCUMENTATION REQUIREMENTS:**

### **APPLICATION DOCUMENTS:**

Refer to “*Refinance Loan Submission Checklist*”, DOH 010, for required documents. (This form is located in the Miscellaneous Documents Section of the Lender on Line Web site.). The application documents are:

1. Mortgage Loan Data Summary Sheet, SFH 117
2. Loan Application (FNMA 1003)
3. Evidence of Social Security Number
4. Copy of Driver’s License
5. Copy of counseling certificate
6. Credit Report
7. Verification of Income
8. Verification of Assets
9. Title commitment
10. Current Appraisal
11. Refinance Application Affidavit, DOH 004
12. FNMA 1008, Transmittal Summary
13. Certified true copies letter

### **CLOSING DOCUMENTS:**

***The most current version of all mortgage document forms must be used.***

- a) Conventional Mortgage, Note & Assignment, Right of Recission:
- i. Fannie-Freddie Michigan Mtg 3023
  - ii. Fannie-Freddie Multistate Fixed Rate Note 3200
  - iii. Assignment of Mortgage, SFH 102
  - iv. Universal Tax Exempt Financing Rider SFH 122U
  - v. Refinance Final Affidavit DOH 005

***NOTE:*** Refer to “*Purchase Submission Mortgage Document Control Sheet*”, SFH DOH001, for **other** required documents. This form is located in the Conventional Loan Section of the Lender on Line Web site under Closing Documents.

### **TITLE INSURANCE/ PRIVATE MORTGAGE INSURANCE:**

The name of the insured on all title insurance policies or private mortgage insurance certificates may read:

“[Lender’s name], its successors and/or assigns”

### **SHORT FORM TITLE INSURANCE POLICY:**

A short form title policy issued at closing is acceptable.